



February 18, 2005

HOUSE BILL No. 1695

DIGEST OF HB 1695 (Updated February 16, 2005 7:35 pm - DI 73)

Citations Affected: IC 36-7.

Synopsis: Sales tax increment financing. Authorizes the city of Indianapolis to establish a sales tax increment finance district to carry out redevelopment and economic development projects involving capital commitments in excess of \$125,000,000 and total capital investment at completion in excess of \$500,000,000. Permits the use of a sales tax increment for any purpose for which a property tax increment may be expended.

Effective: July 1, 2005.

Behning

January 19, 2005, read first time and referred to Committee on Local Government.
February 17, 2005, amended, reported — Do Pass.

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HB 1695—LS 7539/DI 44+



February 18, 2005

First Regular Session 114th General Assembly (2005)

PRINTING CODE. Amendments: Whenever an existing statute (or a section of the Indiana Constitution) is being amended, the text of the existing provision will appear in this style type, additions will appear in **this style type**, and deletions will appear in ~~this style type~~.

Additions: Whenever a new statutory provision is being enacted (or a new constitutional provision adopted), the text of the new provision will appear in **this style type**. Also, the word **NEW** will appear in that style type in the introductory clause of each SECTION that adds a new provision to the Indiana Code or the Indiana Constitution.

Conflict reconciliation: Text in a statute in *this style type* or ~~this style type~~ reconciles conflicts between statutes enacted by the 2004 Regular Session of the General Assembly.

HOUSE BILL No. 1695

A BILL FOR AN ACT to amend the Indiana Code concerning taxation.

Be it enacted by the General Assembly of the State of Indiana:

1 SECTION 1. IC 36-7-26-1 IS AMENDED TO READ AS
2 FOLLOWS [EFFECTIVE JULY 1, 2005]: Sec. 1. This chapter applies
3 to the following:

4 (1) A city having a population of more than seventy-five thousand
5 (75,000) but less than ninety thousand (90,000).

6 (2) A city having a population of more than one hundred five
7 thousand (105,000) but less than one hundred twenty thousand
8 (120,000).

9 (3) A city having a population of more than one hundred fifty
10 thousand (150,000) but less than five hundred thousand
11 (500,000).

12 (4) A city having a population of more than one hundred twenty
13 thousand (120,000) but less than one hundred fifty thousand
14 (150,000).

15 **(5) A consolidated city.**

16 SECTION 2. IC 36-7-26-2 IS AMENDED TO READ AS
17 FOLLOWS [EFFECTIVE JULY 1, 2005]: Sec. 2. (a) Present economic

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conditions in certain areas of certain cities are stagnant or deteriorating.

(b) Present economic conditions in such areas are beyond remedy and control by existing regulatory processes because of the substantial public financial commitments necessary to encourage significant increases in economic activities in such areas.

(c) Encouraging economic development in these areas will:

(1) attract new businesses and encourage existing business to remain or expand;

(2) increase temporary and permanent employment opportunities and private sector investment;

(3) protect and increase state and local tax bases; and

(4) encourage overall economic growth in Indiana.

(d) Redevelopment and stimulation of economic development benefit the health and welfare of the people of Indiana, are public uses and purposes for which the public money may be spent, and are of public utility and benefit.

(e) Economic development in such areas can be accomplished only by a coordinated effort of local and state governments.

(f) This chapter shall be liberally construed to carry out the purposes of this chapter and to provide cities with maximum flexibility to accomplish those purposes.

(g) The general assembly affirms that the findings in subsections (a) through (e) apply to a city described in section 1(5) of this chapter.

SECTION 3. IC 36-7-26-6 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2005]: Sec. 6. As used in this chapter, "commission" refers to a redevelopment commission established under IC 36-7-14 **or IC 36-7-15.1.**

SECTION 4. IC 36-7-26-11 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2005]: Sec. 11. As used in this chapter, "local public improvement" means any redevelopment project or purpose of a commission or any city under this chapter, ~~or~~ IC 36-7-14, **or IC 36-7-15.1.**

SECTION 5. IC 36-7-26-14 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2005]: Sec. 14. (a) Whenever a commission determines that the redevelopment and economic development of an area situated within the commission's jurisdiction may require the establishment of a district, the commission shall cause to be assembled data sufficient to make the determinations required under section 15 of this chapter, including the following:

(1) Maps and plats showing the boundaries of the proposed district.

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(2) A complete list of street names and the range of street numbers of each street situated in the proposed district.

(3) A plan for the redevelopment and economic development of the proposed district. The plan must describe the local public improvements necessary or appropriate for the redevelopment or economic development.

(b) For a city described in section 1(2) or 1(3) of this chapter, the proposed district must contain a commercial retail facility with at least five hundred thousand (500,000) square feet, and any distributions from the fund must be used in the area described in subsection (a) or in areas that directly benefit the area described in subsection (a).

(c) For a city described in section 1(4) of this chapter, the proposed district may not contain any territory outside the boundaries of a redevelopment area established within the central business district of the city before 1985.

(d) For a city described in section 1(5) of this chapter, the proposed district must be established for the purpose of undertaking a project, or a series of projects, that involve a total capital commitment in excess of one hundred twenty-five million dollars (\$125,000,000), and the commission and the board must determine that:

(1) the total capital investment for the project, or series of projects, will be in excess of five hundred million dollars (\$500,000,000) at the completion of the project, or series of projects; and

(2) the project would not otherwise be accomplished through the ordinary operations of private investment because of the unique quality and scope of the project or series of projects.

SECTION 6. IC 36-7-26-23 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2005]: Sec. 23. (a) Before the first business day in October of each year, the board shall require the department to calculate the net increment for the preceding state fiscal year. The department shall transmit to the board a statement as to the net increment in sufficient time to permit the board to review the calculation and permit the transfers required by this section to be made on a timely basis.

(b) There is established a sales tax increment financing fund to be administered by the treasurer of state. The fund is comprised of two (2) accounts called the net increment account and the credit account.

(c) On the first business day in October of each year, that portion of the net increment calculated under subsection (a) that is needed:

(1) to pay debt service on the bonds issued under section 24 of

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1 this chapter or to pay lease rentals under section 24 of this
2 chapter; ~~and~~

3 (2) to establish and maintain a debt service reserve established by
4 the commission or by a lessor that provides local public
5 improvements to the commission; ~~and~~

6 **(3) with respect to a city described in section 1(5) of this**
7 **chapter, and as certified by such a city, for any other purpose**
8 **for which property taxes allocated to a redevelopment district**
9 **under IC 36-7-15.1-26 may be expended;**

10 shall be transferred to and deposited in the fund and credited to the net
11 increment account. Money credited to the net increment account **under**
12 **subdivisions (1) and (2)** is pledged to the purposes described in
13 subdivisions (1) and (2), subject to the other provisions of this chapter.

14 (d) On the first business day of October in each year, the remainder
15 of:

16 (1) eighty percent (80%) of the gross increment; minus

17 (2) the amount credited to the net increment account on the same
18 date;

19 shall be transferred and credited to the credit account.

20 (e) The remainder of:

21 (1) the gross increment; minus

22 (2) the amounts credited to the net increment account and the
23 credit account;

24 shall be deposited by the auditor of state as other gross retail and use
25 taxes are deposited.

26 (f) A city described in section 1(2), 1(3), or 1(4) of this chapter may
27 receive not more than fifty percent (50%) of the net increment each
28 year. During the time a district exists in a city described in section 1(3)
29 or 1(4) of this chapter, not more than a total of one million dollars
30 (\$1,000,000) of net increment may be paid to the city described in
31 section 1(3) or 1(4) of this chapter. During each year that a district
32 exists in a city described in section 1(2) of this chapter, not more than
33 one million dollars (\$1,000,000) of net increment may be paid to the
34 city described in section 1(2) of this chapter.

35 (g) The auditor of state shall disburse all money in the fund that is
36 credited to the net increment account to the commission in equal
37 semiannual installments on November 30 and May 31 of each year.

38 SECTION 7. IC 36-7-26-24 IS AMENDED TO READ AS
39 FOLLOWS [EFFECTIVE JULY 1, 2005]: Sec. 24. (a) The commission
40 may issue bonds, payable in whole or in part, from money distributed
41 from the fund to the commission, to finance a local public improvement
42 under IC 36-7-14-25.1 or may make lease rental payments for a local

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public improvement under IC 36-7-14-25.2 and IC 36-7-14-25.3. The term of any bonds issued under this section may not exceed twenty (20) years, nor may the term of any lease agreement entered into under this section exceed twenty (20) years. The commission shall transmit to the board a transcript of the proceedings with respect to the issuance of the bonds or the execution and delivery of a lease agreement as contemplated by this section. The transcript must include a debt service or lease rental schedule setting forth all payments required in connection with the bonds or the lease rentals.

(b) On January 15 of each year, the commission shall remit to the treasurer of state the money disbursed from the fund that is credited to the net increment account that exceeds the amount needed:

- (1) to pay debt service or lease rentals ~~and under this chapter~~;
- (2) to establish and maintain a debt service reserve **under this chapter; and**
- (3) **with respect to a city described in section 1(5) of this chapter, for the uses permitted under section 23(c)(3) of this chapter;**

~~under this chapter~~ in the prior year and before May 31 of that year. Amounts remitted under this subsection shall be deposited by the auditor of state as other gross retail and use taxes are deposited.

(c) The commission in a city described in section 1(2) of this chapter may distribute money from the fund only for the following:

- (1) Road, interchange, and right-of-way improvements.
- (2) Acquisition costs of a commercial retail facility and for real property acquisition costs in furtherance of the road, interchange, and right-of-way improvements.
- (3) Demolition of commercial property and any related expenses incurred before or after the demolition of the commercial property.
- (4) For physical improvements or alterations of property that enhance the commercial viability of the district.

(d) The commission in a city described in section 1(3) of this chapter may distribute money from the fund only for the following purposes:

- (1) For road, interchange, and right-of-way improvements and for real property acquisition costs in furtherance of the road, interchange, and right-of-way improvements.
- (2) For the demolition of commercial property and any related expenses incurred before or after the demolition of the commercial property.

(e) The commission in a city described in section 1(4) of this

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chapter may distribute money from the fund only for the following purposes:

(1) For:

(A) the acquisition, demolition, and renovation of property; and

(B) site preparation and financing; related to the development of housing in the district.

(2) For physical improvements or alterations of property that enhance the commercial viability of the district.

(f) The commission in a city described in section 1(5) of this chapter may distribute money from the fund for any purpose for which property tax proceeds allocated to a redevelopment district may be expended under IC 36-7-15.1.

SECTION 8. IC 36-7-26-25 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2005]: Sec. 25. The board may not approve a resolution under section 16 of this chapter until the board has satisfied itself that the city in which the proposed district will be established has maximized the use of tax increment financing under IC 36-7-14, ~~or~~ IC 36-7-14.5, **or IC 36-7-15.1** to finance public improvements within or serving the proposed district, subject to the granting of an additional credit under IC 36-7-14-39.5, **IC 36-7-15.1-26.5, IC 36-7-15.1-35, or IC 36-7-15.1-56.** The city may not grant property tax abatements to the taxpayers within the proposed district or a district, except that the board may approve a resolution under section 16 of this chapter in the proposed district or a district in which real property tax abatement not to exceed three (3) years has been granted.

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COMMITTEE REPORT

Mr. Speaker: Your Committee on Local Government, to which was referred House Bill 1695, has had the same under consideration and begs leave to report the same back to the House with the recommendation that said bill be amended as follows:

Page 3, line 18, delete "will".

Page 3, line 19, delete "investment" and insert "**commitment**".

Page 3, line 19, after "hundred" insert "**twenty-five**".

Page 3, line 20, delete "(\$100,000,000)." and insert "**(\$125,000,000), and the commission and the board must determine that:**

(1) the total capital investment for the project, or series of projects, will be in excess of five hundred million dollars (\$500,000,000) at the completion of the project, or series of projects; and

(2) the project would not otherwise be accomplished through the ordinary operations of private investment because of the unique quality and scope of the project or series of projects."

and when so amended that said bill do pass.

(Reference is to HB 1695 as introduced.)

HINKLE, Chair

Committee Vote: yeas 10, nays 1.

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